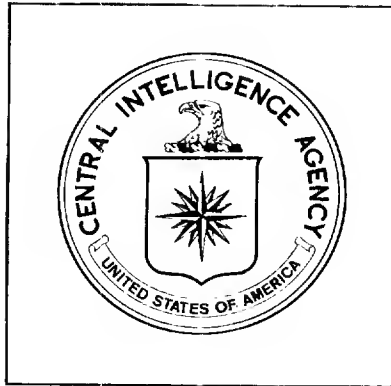


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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Plan Ready on Military Role in Portugal

The Armed Forces Movement's 200-member General Assembly has approved a plan to formalize the military's role in the government's decision-making process.

Reliable sources have told US embassy officials that a seven-point program was approved by the assembly last week and is now being discussed with the military rank and file and political party leaders. The program provides that:

- The Movement will continue to guide Portugal's political process indefinitely.
- The recently announced economic plan cannot be made more conservative, but only more "progressive."
- The campaign for constituent assembly elections will not begin on March 3 unless the political parties have agreed on minimum standards for their platforms set by the Movement.
- Presidential candidates must be approved by the Movement.
- The future constitution will be based on the program of the Armed Forces Movement that was published shortly after the coup last April.
- The new constitution will grant legislative powers to the Council of State, now a rubber-stamp body that approves all legislation. The Council will be controlled by the military, and the Movement will help select the civilians that comprise one third of the body.
- The Movement will choose the ministers of defense and economy after a constitutional government is elected.

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4 | Although the Movement has repeatedly insisted that it does not intend to install a military dictatorship, Movement officers have been impatient with the bickering among political parties and believe that they must keep a firm hand on Portugal's progress. They fear an inexperienced civilian government might destroy the changes they have already instituted. Continuing dissension might precipitate a return to a right-wing system and place Movement officers in jeopardy.

4 | The program is certain to provoke opposition from Portugal's civilian leaders, although even moderate politicians recognize that the Movement must have some role in order to preserve security and to guarantee basic civil liberties. Moderates will resist, however, those parts of the program they regard as an overly active intervention by the military in politics.

2, 4 | Both Socialist and Popular Democratic leaders were critical of the new "legislative" powers given to the seven-man military junta earlier this month. Since then, Movement members, including Prime Minister Goncalves, have retaliated by attacking those who have warned against the possibility of a "civil war" and of divisiveness within the Movement. These attacks were clearly directed at Socialist Party leader Soares and other who have spoken out on these lines.

25X1C 3, 4 | On Friday, Soares abruptly canceled a trip to Bonn for "internal reasons." Soares may have decided he needs to concentrate on his party's response to the assembly's plan to formalize the Movement. (Secret)



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Spanish Army Appears Split on Police Role

The arrest of two army officers in Barcelona last week suggests there is serious disagreement within the army over the role the military should play in maintaining order in Spain.

According to the most plausible account, the two officers had been urging colleagues to pressure the captain general of the Barcelona military district to refrain from using the army to maintain public order. They apparently also pushed for an organized protest against the disciplining of a fellow officer who disobeyed a direct order to divulge the names of subway strikers in Barcelona.

The arrests have given rise to speculation that a military plot may be under way against the Franco regime. Although there is little support for such speculation, it will add to political uncertainty in Madrid. High-ranking military officers have told US embassy officials that the affair is an isolated incident, not evidence of a dissident movement. They acknowledge that the arrests will be misconstrued, however, and claim that a simple reprimand would have sufficed. Indeed, the arrests indicate that the government is both nervous and determined to nip in the bud any military dissidence. (Confidential)

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New Danish Government Program

1 + 2 | Danish Prime Minister Jorgensen's economic proposals, announced to parliament on February 20, aim primarily at attacking unemployment.

1 + 2 | Jorgensen labeled the depressed construction industry the major cause of the country's highest unemployment rate in 20 years and proposed a doubling of new housing construction. Jorgensen's plan also calls for an easing of spending limitations on local and provincial governments to increase public works projects. The export industries and aid to the unemployed will also get boosts under the new program.

1 + 2 | The new budget will be similar to the Hartling government's budget. The tax reduction measures, which the Social Democrats opposed when they were introduced by Hartling last May, will be retained. Jorgensen said savings measures to offset the reduced tax will be more limited than the Hartling government would have liked and predicted a larger deficit for 1975.

1 + 2 | Foreign policy received only brief mention from Jorgensen. He said that foreign, defense, and EC policies would be carried out along traditional lines based on Denmark's membership in the UN, NATO, and the EC.

2 | The government's program is moderate by Social Democratic standards, reflecting Jorgensen's dilemma in the face of tough parliamentary opposition. The Social Democrats control only 53 of the 179 seats in parliament. The Social Democrats' pet "economic democracy" plan to socialize Denmark by gradually turning over ownership of businesses to employees will have to be shelved for the time being.

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Jorgensen's heavy emphasis on domestic affairs, particularly the economy, shows where Danish priorities lie. Public impatience with government leaders and frustration over the government's inability to turn the economy around have pushed foreign affairs into a secondary role. (Confidential)

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Bilderberg Conference To Discuss Inflation

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The twenty-second Bilderberg conference, an annual gathering of US and European business, scientific, and political leaders for an unofficial exchange of views on matters of international concern, will be held at Ismir, Turkey in April. For the discussions this year on "Inflation and its Effects," the group will include more central bank directors and trade union officials than usual. British Conservative leader Margaret Thatcher has also been asked to attend. Dutch Prince Bernhard, who initiated the series of meetings in 1954 at the Bilderberg hotel in the eastern Netherlands, chairs the annual sessions, at which main speakers are allowed only ten minutes and others are limited to five. (Unclassified)

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Iceland Reasserts LOS Position

1 | Iceland informed a meeting of the Nordic Council in Reykjavik last week that it intends to proceed with plans to extend its territorial waters to 200 miles later this year. To the disappointment of the Icelanders, the other Nordic countries did not express support for Iceland's position and limited themselves to expressions of "understanding" for Reykjavik's special position.

2 | Protection of the vital fishing industry is an emotional issue in Iceland and probably the principal political topic. Disputes over fishing rights led to the 1972-73 Cod War with the UK and to current sparring with the West Germans. The present government is anxious to prove that it can be just as tough as the previous leftist coalition on the fishing issue and will take every opportunity to press its position.

2 | Iceland will not take any decisive action until the outcome of the Law of the Sea Conference, scheduled for March 17-May 10, is known. If the conference fails to reach an agreement, Reykjavik will probably act unilaterally. (Confidential No Foreign Dissem)

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Italian Republican Leader Softens Line on Communists

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4 According to press reports, Deputy Prime Minister Ugo La Malfa is drawing fire from conservative Italian politicians for his recent statements suggesting that the Republican Party--which La Malfa heads--should not rule out some form of governmental collaboration with the Communists after the nationwide local elections in June.

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4 La Malfa has recently noted that the local elections--which will provide the clearest measure of party strengths in the last three years--will inevitably be followed by a reassessment of the political situation. He says that it is impossible to predict how the dominant Christian Democrats will respond to the Communists' renewed offer of collaboration until the election results are known. In his latest remarks, La Malfa seems to be saying that, in any event, his party will not make a firm decision on the Communist question until after the elections. Since he does not exclude a priori the possibility of an agreement with the Communists, conservatives are accusing La Malfa of tacitly endorsing one.

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3 La Malfa is a committed Atlanticist and a professional economist who frequently clashes with the left on economic policy. According to [REDACTED] however, La Malfa has had at least two wide-ranging private discussions since last fall with Communist leader Enrico Berlinguer, once at his own request and once at Berlinguer's.

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4 Such contacts between the Communists and the governing parties are not unusual, but the La Malfa-Berlinguer discussions were notable for their generally non-ideological tone. The two differed on some points--the effects on the economy of recent labor-management agreements, for example--but they were in accord on a number of other issues. They agreed that the Christian Democrats are unable to make the hard choices necessary for economic reform. La Malfa criticized the Socialists, moreover, for acting like the Christian Democrats and

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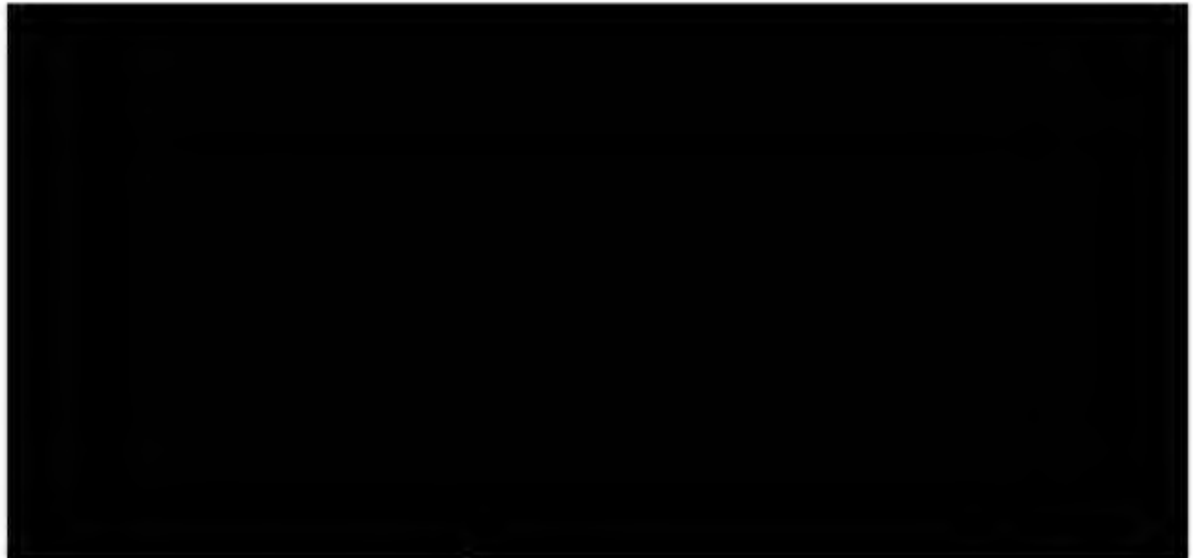
4 failing to live up to their reformist image; Berlinguer has directed the same criticism at the Socialists in recent speeches.

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4 The overall tone of the talks was conciliatory. Berlinguer assured La Malfa that the Moro government did not have to worry about hard opposition from the Communists, and La Malfa offered to provide the Communist leader with some economic data that his aides could not obtain from government sources.

4 A softer stance on the Communist issue by the Republicans--the smallest of the four center-left coalition parties--would not be a decisive factor in the deliberations of the larger parties. Because they are a relatively homogeneous party of intellectuals, however, the Republicans enjoy influence out of proportion to their size. A less hostile Republican attitude toward the Communists would thus help to legitimize the latter's claim to a direct voice in the government.

4 In recent meetings, the other three coalition parties--Christian Democrats, Socialists, and Social Democrats--have flatly ruled out any concessions to the Communists. La Malfa's equivocal remarks may indicate a less ideological view of the Communists, but they almost certainly reflect as well his fear of being left out in the event of rapprochement between the Christian Democrats and Communists.
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Britain's Unemployment Rate Climbs

The labor situation in Britain has worsened considerably in the past two months. Unemployment now stands at 3.4 percent of the labor force and job vacancies have declined dramatically. In addition, there has been a significant increase in the number of persons working fewer hours than normal, particularly in the automobile industry, since the official tally was taken on February 10.

The head of the nation's largest trade union recommends that the nationalized industries broaden work programs, and that the government promote more housing construction, initiate a nationwide "buy British" campaign, and impose selective import controls.

British government officials are concerned about the mounting unemployment, but in recent statements both Employment Secretary Foot and Chancellor of the Exchequer Healey noted that British unemployment is still lower than in other EC countries and the US. Healey, who has repeatedly chastised British workers for making large wage demands, warned that if Britain hopes to avoid the high levels of unemployment in the US and West Germany, three measures will be necessary:

--a lower level of wage settlements, with strict adherence to the social contract guidelines;

--a more extensive program of industrial training because there is a shortage of skilled workers;

--new investment where there is a serious shortage of plant capacity.

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4 | Foot, in commenting on Britain's 20 percent inflation rate, said that the government later this year may decide to use restrictive budgetary measures, such as increased taxation, to curb mounting inflationary pressures. Such measures should reduce imports and allow resources to be diverted to export industries and hopefully increase employment in this sector.

2 | Foot said he believes that the social contract--the informal pact under which the unions pledge to restrain wage demands in return for social legislation--is still viable despite the miners' settlement which calls for wage increases of more than 30 percent. He said the government could not possibly resort to statutory controls, although there are some cabinet members who favor such measures.
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A Potpourri of Energy Developments in
Western Europe

Austrian Chancellor Bruno Kreisky announced last week that a European-Arab symposium would be held in Vienna on a mutually convenient date to discuss pricing policy and multinational oil company profits. Kreisky made the announcement upon his return from a fact-finding visit to North Africa on February 16 and implied that only Socialist leaders from Europe would be invited to meet Arab political leaders and technical experts. During a meeting of Socialist leaders from 20 countries held in West Berlin on February 22, Kreisky reiterated his intention to hold such a symposium.

A member of the Irish parliament claimed his government "snubbed" an offer from Libya to lend the country "hundreds of millions of dollars" and provide oil at preferential prices. Senator Noel Browne of the Irish Labor Party charged that Irish foreign ministry officials failed to tell Foreign Minister Fitzgerald of the offer. Fitzgerald issued a brief rebuttal claiming that the offer, reportedly made by Libya's roving ambassador, Dr. Hamoul, was "inappropriate" and should have been made through government-to-government channels.

The West German government announced Friday that the first high-grade gas deposits have been found in the German sector of the North Sea. The size of the gas fields cannot be determined, but "gestimates" range as high as 80 billion cubic meters. The find was made by a consortium of nine German, French, British, and American companies.

The British are worried that the developing

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2 | international oil glut may drive down the price
3 | of oil. In order to make the British oil venture
in the North Sea profitable and pay off the
country's massive foreign debts, the price of oil
must remain high. Soaring production costs,
uncertainty over the Labor government's policies,
and a tight credit situation threaten to slow
down or even halt exploitation of the off-shore
fields. (Confidential No Foreign Dissem)

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